



U.S. Immigration
and Customs
Enforcement

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Fact Sheet

ICE INTELLECTUAL PROPERTY RIGHTS (IPR) INVESTIGATIONS

In recent years, counterfeiting, piracy, and other Intellectual Property Rights (IPR) violations have grown in magnitude and complexity, costing U.S. businesses billions of dollars in lost revenue and often posing health and safety risks to U.S. consumers. In 1998, the International Chamber of Commerce estimated that five to seven percent of world trade was comprised of counterfeit goods, a market worth some \$350 billion. In May 2004, the United States Trade Representative published its annual Special 301 Report in which it estimated that U.S. industry alone loses \$200 to \$250 billion to counterfeiting annually.

The growth in IPR violations has been fueled in part by the spread of enabling technology allowing for simple and low-cost duplication of copyrighted products, as well as by the rise in organized crime groups that smuggle and distribute counterfeit merchandise for profit. In many cases, the enormous profits realized from the sale of counterfeit goods are used by international organized crime groups to bankroll other criminal activities, such as the trafficking in illegal drugs, weapons, and other contraband.

As the largest investigative arm of the Department of Homeland Security, U.S. Immigration and Customs Enforcement (ICE) plays a leading role in targeting criminal organizations responsible for producing, smuggling, and distributing counterfeit products. ICE investigations focus not only on keeping counterfeit products off U.S. streets, but also on dismantling the criminal organizations behind this activity.

In the past three fiscal years (FY 2002 – FY 2005), ICE agents have arrested more than 500 individuals for IPR violations and dismantled several large scale criminal organizations that distributed counterfeit merchandise to nations around the globe. At the same time, ICE investigations into these networks have resulted in 315 criminal indictments and 255 convictions during this time period. Together, ICE and U.S. Customs & Border Protection have seized more than \$600 million worth of counterfeit goods from FY 1998 through FY 2004.

ICE agents use a variety of assets and resources to combat the counterfeiting problem.

- **National Intellectual Property Rights Center** – Created in 2000 and staffed with agents and analysts from ICE, CBP, and the FBI, the National IPR Center coordinates the U.S. government's domestic and international law enforcement attack on IPR violations. The center serves as the primary liaison between private industry and law enforcement in targeting IPR crimes. ICE agents throughout the country rely upon the National IPR Center for coordination and guidance in their investigations.

- **ICE Cyber Crimes Center** – ICE agents in the United States and abroad work closely with the ICE Cyber Crimes Center to combat the problem of piracy and related IPR violations over the Internet. The Cyber Crimes Center is ICE's state-of-the-art center for computer based investigations, providing expertise and tools to help agents target Internet piracy. The Cyber Crimes Center coordinates its anti-counterfeiting efforts closely with the National IPR Center.
- **54 ICE Attaché Offices overseas** – ICE has Attaches in roughly 54 nations around the globe who coordinate investigative efforts with host nation law enforcement. Since the majority of counterfeit goods in the United States are produced in foreign nations, domestic ICE agents work closely with the ICE Attaches to coordinate investigations with authorities in foreign nations.

In the past year, no less than seven ICE employees have been recognized at the national level for their IPR investigations. In November 2004, the Justice Department honored six ICE employees for their role in targeting a global network of cyberspace gangs responsible for pirating billions of dollars worth of software over the Internet. This ICE case, known as "Operation Buccaneer," was one the largest Internet copyright investigations ever conducted. In January 2005, the Pharmaceutical Research and Manufacturers of America (PhRMA) honored an ICE agent for his IPR investigations in California that led to the seizure of more than 30,000 counterfeit Viagra tablets, as well as the arrest and conviction of several individuals.

In recent months, ICE agents have conducted a number of other significant IPR investigations:

- On May 25, 2005, ICE and FBI agents executed 10 search warrants across the United States against leading members of a technologically sophisticated P2P network known as Elite Torrents in the first criminal enforcement action targeting individuals committing copyright infringement BitTorrent file sharing technology. The Elite Torrents network attracted more than 133,000 members and, in the last four months, allegedly facilitated the illegal distribution of more than 17,800 titles - including movies and software - which were downloaded 2.1 million times. In addition to executing 10 warrants, federal agents also took control of the main server that coordinated all file-sharing activity on the Elite Torrents network. Anyone attempting to log on to Elitetorrents.org receives the following message: "This Site Has Been Permanently Shut Down By The Federal Bureau of Investigation and U.S. Immigration and Customs Enforcement."
- On May 3, 2005, ICE announced the results of "PROJECT RACEDAY" which targeted IPR violations at the Talladega Super Speedway NEXTEL Cup Series Arron's 500 NASCAR race. Ten teams of investigators, comprised of ICE agents, Blazer security consultants and local law enforcement, seized more than 7,100 pieces of counterfeit merchandise, a vendor truck and \$1,100 in illicit proceeds from a variety of locations including flea markets, souvenir stands and private vehicles. ICE agents in Talladega also conducted outreach presentations with private industry and other business forums to educate the public and business community leaders about ongoing ICE anti-counterfeiting enforcement initiatives.
- On April 18, 2005, ICE and the Chinese Ministry of Public Security (MPS) announced the conviction and sentencing in China of two U.S. citizens who were arrested in Shanghai last July as a result of the first joint IPR investigation by ICE agents and Chinese authorities. China's Shanghai No. 2 Intermediate People's Court convicted Guthrie and Thrush on criminal charges of illegally selling and distributing more than \$840,000 worth of pirated motion picture DVDs via the Internet to buyers in more than 20 nations, including the United States. Chinese prosecutors maintained that, since October 2002, Guthrie had illegally sold some 180,000 pirated DVDs around the globe through eBay.com and a Russian based-website at www.threedollardvd.com.

- In February, 2005, at Superbowl XXXIX, ICE, the National Football League (NFL), and the Jacksonville Sheriff's Office conducted "Operation End Zone," resulting in the seizure of more than 20,000 (\$5 million) counterfeit items including knock-off NFL properties, Oakley sunglasses, batteries and other goods. The initiative specifically targeted criminal organizations and individuals using local business establishments to sell counterfeit merchandise in the months and days leading up to the Super Bowl with efforts intensifying as game day has approached.
- On January 21, 2005, Mark Kolowich, the leader of one of the largest Internet counterfeit pharmaceutical networks ever prosecuted was sentenced in federal court in San Diego, California, to 51 months in prison as a result of a joint investigation by ICE, the FDA, the IRS, and the FBI. Kolowich operated an Internet pharmacy at www.WorldExpressRx.com that sold millions of dollars worth of counterfeit Viagra, Cialis, Levitra and other pharmaceutical drugs to customers throughout the world. Some of the counterfeit drugs were manufactured in Mexico and smuggled into this country, while others were brought in from India and Pakistan. Kolowich also offered credit card processing for other Internet sites that sold counterfeit drugs. World Express received roughly \$1 million per month from credit card charges in 2003, half of which resulted from sales of World Express Rx or its affiliates. A total of 16 defendants from California, Florida, Mexico, and the Bahamas have been charged in this case.
- On December 15, 2004, Jorge Abraham, the accused leader of one of the nation's largest cigarette smuggling organizations, pleaded guilty in El Paso, Texas, to conspiracy to traffic in counterfeit and contraband cigarettes after a lengthy ICE investigation. The investigation revealed that Abraham's organization smuggled more than 107 million counterfeit and genuine market cigarettes into the United States. The total loss of revenue to the federal government and various state governments was about \$9.2 million. ICE agents arrested Abraham and 13 other members of the organization on January 28, 2004. Several other members of the organization have pleaded guilty.
- On November 12, 2004, as part of "Operation Panda," agents from ICE, the New York Police Department and the FBI, dismantled two violent Chinese Organized Crime rings in New York that subsidized their criminal activities, in part, through the trafficking and sale of counterfeit luxury goods. Three indictments filed in the case charged 51 individuals with wide-ranging criminal activity, including racketeering, conspiracy to commit murder, conspiracy to take hostages, extortion, money laundering, alien smuggling, trafficking in counterfeit goods, and illegal gambling. One victim of the gangs was shot in the head, while others were stabbed and nearly beaten to death. ICE agents seized roughly \$4 million worth of counterfeit Chanel, Gucci, and Coach products from warehouses in New York City.
- On June 4, 2004, ICE and the U.S. Attorney for the Southern District of New York announced federal charges against 17 individuals for participating in an international counterfeiting operation that was believed to have smuggled roughly \$400 million worth of counterfeit handbags, luggage, and apparel into the United States. ICE agents seized six shipping containers with roughly \$24 million worth of counterfeit handbags and cigarettes inside them. The defendants also paid an undercover ICE agent posing as a corrupt employee \$1 million to clear shipments through customs without inspection. ICE agents seized 12 bank accounts as well as \$174,000 in cash.

ICE

U.S. Immigration and Customs Enforcement was established in March 2003 as the largest investigative arm of the Department of Homeland Security. ICE is comprised of five integrated divisions that form a 21st century law enforcement agency with broad responsibilities for a number of key homeland security priorities.